SENATE BILL 140:
Lake Santeetlah Occupancy Tax Authorization

2015-2016 General Assembly

Committee:	House Finance	**Date:**	June 16, 2015
Introduced by:	Sen. J. Davis	**Prepared by:**	Trina Griffin
Analysis of:	Second Edition		Committee Counsel

SUMMARY: Senate Bill 140 would authorize the Town of Lake Santeetlah to levy a room occupancy tax of up to 3%, the proceeds of which would be remitted to a Tourism Development Authority. The Authority would be required to use at least two-thirds of the proceeds to promote travel and tourism and the remainder for tourist-related expenditures. The Occupancy Tax Subcommittee gave this bill a favorable report at its June 15 meeting.

[As introduced, this bill was identical to H221, as introduced by Rep. West, which is currently in House Local Government, if favorable, Finance.]

CURRENT LAW: The Town of Lake Santeetlah is located in Graham County, which has the authority to levy a 3% room occupancy tax.[1]

BILL ANALYSIS: Senate Bill 140 would authorize Lake Santeetlah to levy a 3% room occupancy tax. The Town would be required to establish a Tourism Development Authority to administer the proceeds. The proceeds must be used as follows: at least two-thirds for tourism promotion and the remainder for tourism-related expenditures. The bill conforms to the Guidelines for Occupancy Tax adopted by the House Finance Committee.

EFFECTIVE DATE: This act is effective when it becomes law.

BACKGROUND: Since 1983, the General Assembly has authorized many units of local government to levy a room occupancy tax. Over the past several years, there has been a greater effort to make the occupancy taxes uniform. In 1997, the General Assembly enacted uniform municipal and county administrative provisions for occupancy tax,[2] which provide uniformity among counties and cities with respect to the levy, administration, collection, repeal, and imposition of penalties.

In 1993, the House Finance Committee established the Occupancy Tax Guidelines, which address the rate of tax, the use of the tax proceeds, the administration of the tax, and the body with authority to determine how the proceeds will be spent. A summary of these provisions is detailed in the chart below. Many of the principles contained in the Guidelines are similar to those contained in policy statements adopted by the North Carolina Travel and Tourism Coalition and the North Carolina Restaurant and Lodging Association.

[1] S.L. 1985-969, as amended by S.L. 1987-118 and S.L. 1987-195.
[2] G.S. 153A-155 and G.S. 160A-215.

UNIFORM OCCUPANCY TAX PROVISIONS
Rate – The county tax rate cannot exceed 6% and the city tax rate, when combined with the county rate, cannot exceed 6%.
Use – Two-thirds of the proceeds must be used to promote travel and tourism and the remainder must be used for tourism related expenditures.
Definitions The term “net proceeds”, "promote travel and tourism”, and “tourism related expenditures” are defined terms.
Administration – The net revenues must be administered by a local tourism development authority that has the authority to determine how the tax proceeds will be used, is created by a local ordinance, and at least 1/2 of the members must be currently active in the promotion of travel and tourism in the county and 1/3 of the members must be affiliated with organizations that collect the tax.
Costs of Collection – The taxing authority may retain from the revenues its actual costs of collection, not to exceed 3% of the first $500,000 collected each year plus 1% of the remainder collected each year.